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U.S. DEPARTMENT OF COMMERCE
FISCAL YEAR 2016 BUDGET REQUEST
SENATE COMMITTEE ON COMMERCE, SCIENCE AND
TRANSPORTATION
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Chairman Thune, Ranking Member Nelson, and members of the Committee, thank you for this opportunity to discuss with you President Obama's Fiscal Year 2016 (FY16) Budget Request for the U.S. Department of Commerce. The investments included in the FY16 Budget request build upon the important investments you enacted in FY15 and I am grateful for your support.

The Department plays a critical role in promoting U.S. economic growth and providing vital scientific and environmental information. To support this mission across its diverse bureaus, the Budget provides \$9.8 billion in discretionary funding for Commerce. This funding level will enable key investments in areas such as promotion of exports and foreign investment; development of weather satellites; wireless and broadband access; and research and development to support long-term economic growth. At the same time, efficiency gains, such as streamlining operations in the Census Bureau and reductions in lower-priority activities enable Commerce to reduce costs and operate more efficiently.

The FY16 Budget request reflects and advances the priorities of the Department's "Open for Business" Agenda. It maintains our role as the voice of business in the Obama Administration by making critical investments in areas that will grow our economy and create good American jobs. This Budget prioritizes promoting U.S. trade and investment, spurring high-tech manufacturing and innovation, unleashing more of our data, and gathering and acting on environmental intelligence, while also streamlining operations to help businesses grow. We are committed to working with Congress to achieve these goals so we can continue to build on our economic momentum and keep America more competitive in the global economy.

The FY16 Department of Commerce Budget includes key investments in the following areas:

Strengthening U.S. Trade and Investment:

Increasing trade and investment is critical to growing our economy. Exports have driven nearly one-third of economic growth since 2009 and support 11.3 million

jobs. 96 percent of companies that export are Small and Medium Enterprises (SMEs). Today, 95 percent of potential customers are outside our borders and growing the number of export-related jobs, which pay up to 18 percent more on average, will require expanding our ability to reach these foreign markets.

The Budget includes \$497 million for the International Trade Administration (ITA) to strengthen the competitiveness of U.S. industry, promote job-creating trade and investment, and ensure fair trade through the rigorous enforcement of our trade laws and agreements. Funding for ITA includes \$15 million to accelerate operations of the Interagency Trade Enforcement Center (ITEC), a multi-agency effort to address unfair trade practices and barriers that impede U.S. exports.

The Budget also provides \$20 million within ITA to further strengthen SelectUSA, which is the government-wide effort to promote and facilitate business investment into the United States. From a vast domestic market, to a transparent legal system, to the most innovative companies in the world, America is the place for business. Building upon the successes of the inaugural SelectUSA Summit in 2013, the Department will host its second SelectUSA Investment Summit in March 2015. Other funds will support ITA's efforts to make it easier for U.S. companies of all sizes to reach consumers who live beyond our borders, including program and policy improvements to provide exporters more tailored assistance and to strengthen partnerships at the state and local level that support export promotion and foreign direct investment attraction strategies.

The President's FY16 Budget requests \$115 million for the Bureau of Industry and Security (BIS). Following the successful realignment of significant license application responsibilities from the Department of State to BIS, our capacity-building now focuses on fully funding export administration while enhancing export enforcement. Approximately 43,000 of the license applications that the State Department has processed annually are becoming the responsibility of the Commerce Department's BIS, either as Commerce licenses, license exceptions, or other authorizations. This is almost a doubling of the 24,782 license applications that BIS processed in FY 13, prior to any of the transfers from the State Department.

The requested level of funding will allow us to increase the number of enforcement agents within BIS to ensure enforcement of export controls and compliance-related activities to ensure that exporters and re-exporters are following our export control regulations.

If we are to ensure that we can export U.S. goods more quickly, while also ensuring that sensitive technologies do not end up in the wrong hands, we must be able to educate exporters and re-exporters about our regulations and their responsibilities, and we must put sufficient teeth into our enforcement efforts. Strong enforcement levels the playing field for U.S. exporters, while lax enforcement threatens our national security and permits violators to flourish at the expense of the compliant.

To continue supporting the national growth of minority-owned U.S. businesses, the Budget includes \$30 million for the Minority Business Development Agency. Minority owned firms make a significant and valuable contribution to our economy and export at a higher rate compared to all U.S. firms. This investment will promote further growth and global competitiveness of our nation's minority-owned businesses.

Spurring Innovation, Growth and Competitiveness:

Strengthening U.S. Manufacturing: As global competition continues to increase, the United States must find ways to foster the innovation that produces economic growth and creates well-paying middle-class jobs. A national effort to create institutes focused on advanced manufacturing innovation will accelerate development and adoption of cutting-edge manufacturing technologies for new products that can compete in international markets. The National Network for Manufacturing Innovation (NNMI) provides an advanced manufacturing research infrastructure where U.S. industry and academia collaborate to solve industry-relevant problems. To date, five institutes, funded by the Department of Defense and the Department of Energy, have been launched, involving more than 300 companies and universities and attracting \$480 million in private funding in the institutes. NNMI will keep America on the front-lines of discovery, which will result in our businesses, our manufacturers, and the American economy becoming more competitive in the 21st century global economy.

The Budget supports the President's vision of creating a full national network, expanding NNMI with up to 45 manufacturing innovation institutes across the nation during the next ten years. In total, the Budget includes discretionary funding for seven new institutes in FY16, including \$140 million for the first two Commerce-led institutes. The Budget includes an additional \$10 million for the National Institute of Standards and Technology (NIST) to coordinate the activities of the current and future institutes, leveraging the authorities in the bipartisan Revitalize American Manufacturing and Innovation Act (RAMI), enacted as part

of the Consolidated and Further Continuing Appropriations Act, 2015, thanks to your support.

The Budget also provides \$141 million for NIST's Hollings Manufacturing Extension Partnership (MEP), which will continue to focus on expanding technology and supply chain capabilities to support cutting edge technology adoption by smaller manufacturers to improve their global competitiveness.

Manufacturing is a key sector of the U.S. economy and is important for boosting exports. Small and medium sized manufacturers contribute significantly to America's exports. Twenty-three percent of manufacturing firms are exporters, and the most recent data shows that 97 percent of manufacturing exporters are small and medium size companies. The investments proposed in the Department's budget to support manufacturing growth will help more U.S. firms achieve success at home and abroad.

Supporting 21st Century Economic Development: Economic Development helps create the conditions for economic growth and improved quality of life by expanding the capacity of individuals, firms, and communities to maximize the use of their talents and skills to support innovation, lower transaction costs, and responsibly produce and trade valuable goods and services. The Budget invests \$273 million in the Economic Development Administration (EDA) to support innovative community planning, regional capacity building, and capital projects. Within this amount, \$25 million is included for the Regional Innovation Strategies Program to promote economic development projects that spur entrepreneurship and innovation at the regional level. The EDA Budget also includes \$39 million for Partnership Planning to support local organizations with their long-term economic development planning efforts and outreach. Additionally, \$53 million is provided for Economic Adjustment Assistance for critical investments such as economic diversification planning, and implementation, technical assistance, and access to business start-up facilities and equipment. Further, the budget request includes \$85 million for public works investments.

Supporting the Digital Economy: The FY16 Budget request demonstrates the Administration's continued commitment to broadband telecommunications as a driver of economic development, job creation, technological innovation, and enhanced public safety. The investment of \$49.2 million will allow the National Telecommunications and Information Administration to develop, implement, and advocate policies to help meet challenges related to the digital economy, Internet openness, privacy, and security. The President's broadband vision of freeing up

500 MHz of Federal spectrum, promoting broadband competition in communities throughout the country, and connecting over 99 percent of schools to high-speed broadband connections through the ConnectED initiative will create thousands of quality jobs and ensure that students have access to the best educational tools available.

The Budget supports implementation of telecommunications provisions enacted in the Middle Class Tax Relief and Job Creation Act of 2012, which are expected to reduce the deficit by more than \$40 billion over the next 10 years through spectrum auctions. These auctions will increase commercial access to wireless broadband spectrum while fully funding an interoperable public safety and first responder broadband network.

Beyond our efforts to promote innovation, the Budget highlights the Administration's commitment to cybersecurity by supporting NIST's efforts to work with industry on implementing the Cybersecurity Framework of standards and best practices, as well as sustaining initiatives associated with cybersecurity automation, cybersecurity information, and the National Strategy for Trusted Identities in Cyberspace (NSTIC).

Spurring Innovation for American Businesses: Through implementation of the America Invents Act, the U.S. Patent and Trademark Office (USPTO) continues to make it easier for American entrepreneurs and businesses to bring their inventions to the marketplace sooner, converting ideas into new products and new jobs. The Budget supports a program level of \$3.5 billion for USPTO, a level that would allow USPTO to fund operations and to further implement administrative actions proposed by the President's Patent Task Force.

Fueling a Data-Driven Economy: Data is the fuel that powers the 21st century economy, and Commerce Department data touches every American and informs business decisions every day. The Budget will support data-related efforts ranging from our preparations for the 2020 Census to unleashing more NOAA data through public-private partnerships.

Improving Federal Statistical Measures: The Budget provides \$1.5 billion to provide critical support for the U.S. Census Bureau to research, test, and implement innovative design decisions made at the end of 2015. Funding in FY16 supports the rapid system and operational development necessary to achieve the goal of conducting a Census at a lower cost per household than in the 2010 Census, potentially saving up to \$5 billion compared to the costs of repeating the 2010

Census design in 2020. We have to invest in research and testing now to ensure the 2020 Census model works to produce a quality and cost effective census when it is implemented. The Budget also includes a planned cyclical increase for the Economic Census. The Budget includes \$10 million in additional funding for the Census Bureau to lay the ground for acquiring and processing administrative data sets in an administrative records clearinghouse that will benefit program evaluation and statistical work across the government as well as amongst private researchers. The Bureau will accomplish this by building on its existing strengths to develop a more comprehensive infrastructure for linking, sharing, and analyzing key datasets.

Gathering and Acting on Environmental Intelligence: The Department's environment agenda aims to help communities and businesses prepare for and prosper in a changing environment through the models, assessments, forecasts, and tools generated based on data from our network of satellites, ships, and world-wide sensors.

The Budget provides \$6.0 billion to advance the National Oceanic and Atmospheric Administration's (NOAA) ability to understand and anticipate changes in the Earth's environment, improve society's ability to make scientifically informed decisions, deliver vital services to the economy and public safety, and conserve and manage ocean and coastal ecosystems and resources. The Budget invests in NOAA's observational infrastructure, including \$2.4 billion to fully fund NOAA's weather and space weather satellite programs. This includes \$380 million for the Polar Follow-On satellite program which minimizes the risk of a gap after JPSS 2, allowing for a launch schedule that is necessary to improve the robustness of the satellite systems that provide critical weather data.

The Department continues its commitment to support a Weather-Ready Nation, and evolve the National Weather Service to become a more agile decision support organization capable of providing more accurate and more timely weather forecasts. The United States has the greatest number and greatest variety of severe weather events of any country on the planet. The Budget invests \$1.1 billion for the National Weather Service, including funding increases for critical infrastructure.

The President's Budget makes investments to fill information needs in observations, surveys, and fisheries management, including \$147 million for a new ocean survey vessel. The Budget also provides \$50 million for an expanded Regional Coastal Resilience Grant Program, which will help reduce the risks and impacts associated with extreme weather events and changing ocean conditions

and uses, along with \$30 million for ocean acidification research to improve understanding of its impacts and support tool development and adaptive strategies for affected industries and stakeholders. Additionally, the Budget requests an increase of \$19 million for expanded Endangered Species and Magnuson Stevens Act consultation capacity that will reduce permitting timeframes.

Streamlining Operations: To further the President’s goals of improving customer service and enhancing the efficiency of government, the Budget includes \$6 million to support a Commerce Digital Services team to adopt private sector best practices and recruit talent to improve Commerce’s information technology systems. This team will be responsible for driving the efficiency and effectiveness of the Agency’s highest impact, client focused information technology systems. In addition, the Budget includes \$3 million to support the development of an “Idea Lab,” which will house a team dedicated to incubating and investing in innovative approaches to more efficiently and effectively meet Agency strategic goals and objectives through greater employee engagement.

Securing the Department’s Systems and Infrastructure: Cybersecurity is a very high priority for the Department. Our strategic plan’s Operational Excellence goal calls for an improvement in the Department’s cyber security enterprise architecture, and the Department’s FY 2016 budget request enhances network security, incident response, and other activities in support of this plan. We are currently in the process of deploying a Department-wide system for continuous monitoring of several key security controls. This is the first operational cyber security capability to be deployed Department-wide at Commerce.

Conclusion

With the FY16 Budget, the Department seeks to advance the core tenets of its mission: to create the conditions for economic growth; help U.S. businesses expand; and to ensure that America stays competitive, stays ahead, and continues to lead the global economy in the 21st century. The smart investments proposed in President’s FY16 Budget will support a globally competitive economy by promoting trade and investment, spurring innovation, fueling a data-driven economy, and gathering and acting on environmental intelligence. With this budget, I am confident that we will keep America “Open for Business.” I look forward to working with the Committee to achieve these important goals.